



# Retirement Plan Selection

## *for rehired public employees*

### **You may have a choice of retirement plans, depending on your employment history.**

Newly-hired employees who were members of the state's defined benefit retirement plan or the public school employees retirement plan may choose between the State Employees' Retirement System Defined Benefit (DB) plan or the 401(k) Defined Contribution (DC) plan. This selection is made only once and is irrevocable.

Most new employees are automatically enrolled in the DC retirement plan. To be eligible to choose between the plans, you must meet both of these conditions:

1. Have been a non-vested or a deferred (vested) member of the State Employees' Retirement System on March 30, 1997, and
2. Have not previously made a selection between the DB plan and the DC plan. If you previously chose between the state's DB and DC plans, left employment and are now returning, your former plan election remains in effect.

*Note:* if you were a deferred member of the Public School Employees Retirement System on March 30, 1997 (vested, but not working), you may also select your retirement plan.

If you are eligible to choose your retirement plan, complete and return this form to your human resource office within 60 calendar days of starting your new job.

**Example.** Judy entered state employment on June 18, 1996 and chose the DC plan during the open enrollment window (January 2 — April 30, 1998). She left her state job in October 1998, but returned to state employment in May 2003. She remains in the DC plan since she already made her one-time irrevocable choice in 1998.

**Example.** Sam left state employment in February 1997 after eight years of service. He

returned to state employment in February 2003. Sam did not have the chance to choose between the DB and DC plans before leaving in 1997, so he has 60 calendar days after his hire date to decide which plan to join. If he does not select a plan, he will automatically be enrolled in the DB plan because he was previously a member of that plan.

### **Which plan is best for you?**

Below is an overview of both plans.

**What is a Defined Benefit plan?** In a Defined Benefit plan, the state contributes to a general pension fund that is used to finance your retirement benefits. You do not make any personal contributions into this fund. But you must work for a specified number of years to become *vested*, or eligible for a pension benefit.

In all but a few of the state agencies you must work 10 years to become vested. If you leave state employment before vesting for any reason other than a duty disability, you would receive no pension benefits under the state's Defined Benefit plan.

Once vested, you will be eligible for a retirement benefit based on your salary and years of service when you meet the age requirement. This benefit begins when you meet the eligibility requirements for age and service and is paid to you monthly throughout your lifetime. Depending on the payment option you select, this benefit could continue through your survivor's lifetime as well. Once you and your survivor, if any, die, all pension benefits stop.

**What is a Defined Contribution plan?** In the State of Michigan 401(k) Defined Contribution Plan, the state contributes an amount equal to 4% of your salary to an investment fund (a 401(k) account) from which you will draw retirement income. You can choose from a list

of investment options where these dollars are invested. In addition to the state's 4% contribution, you may also invest in your retirement fund up to the IRS limit. The state will match the first 3% of your personal contributions each pay period, for a maximum 7% contribution from the state.

The amount of combined contributions and how well your investments perform will determine how much retirement income you will have at retirement.

As a DC plan member, your *personal* contributions are 100% vested. The *employer* contributions are vested gradually based on years of service. You are credited for a year of service after completing 2,080 hours.

<b>Employer Contributions</b>	<b>% vested</b>
After 2 years of service	50%
After 3 years of service	75%
After 4 years of service	100%

CitiStreet, a leading provider of pension savings plans in the United States, administers the 401(k) Defined Contribution Plan. Working through CitiStreet you can select from various investment options for both your personal contributions and those state contributions held in your account (pending eligibility for them). Your investment portfolio can be as simple or as diversified as you wish.

### **Transferring your DB plan to the DC plan.**

If you are a vested member of the DB plan and you want to transfer to the DC plan, the retirement system will calculate the actuarial present value (APV) of your DB plan and deposit that amount to your new account in the DC plan with CitiStreet. The APV is the value, if any, that your DB plan is worth in current dollars. As a vested former member, you can contact ORS to request an estimate of your DB APV.

If you are not vested under the DB plan, your APV is zero. However your years of service count towards vesting of future employer contributions to your DC account.

## **Retiree Health Benefits**

Health care benefits in retirement are the same for both DB and DC members, but have different subsidies.

DB members with at least 10 years of service receive the maximum insurance premium subsidy (95% of cost). DB members who transferred into the DC plan or choose the DC plan upon rehiring also receive a 95% subsidy.

## **Selecting Your Retirement Plan**

If you are eligible to choose your retirement plan, complete and return this form to your human resource office within 60 calendar days of starting your new job.

**Spouse's signature.** If you are married, your spouse must also sign this form to acknowledge that he or she is aware of your retirement selection.

**Transferring.** If you transfer to the DC plan, you give up all rights to your DB plan benefits (other than health insurance) and must follow the provisions of the DC plan.

**Beneficiary nomination.** If you decide to enroll or remain in the DB plan, we recommend that you review the *State Employee's Beneficiary Nomination Form* (R400G). You only need to file this form if you want to designate a specific person other than your spouse or your estate to receive pension benefits.

If you transfer your DB value to the DC plan, you will need to complete CitiStreet's beneficiary designation form to specify who would receive your plan distribution if you die before you retire. *CitiStreet will send this form to you directly.*



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Please read the instructions carefully before completing this form.

If you were a current or former member of the State Employees' Retirement System on March 30, 1997, and you have not previously made a selection between the DB plan and the DC plan, you have a one-time opportunity to select your retirement plan. You may choose to continue your membership in the Defined Benefit (DB) plan or choose to participate in the 401(k) Defined Contribution (DC) Plan. If you were a deferred member of the Public School Employees Retirement System (10 or more years but not working) on March 30, 1997, you may also select your retirement plan.

**You have 60 calendar days from your rehire date to return this form to your human resource office.** If you do not file the form timely, you will be enrolled in the Defined Benefit plan. Your selection is irrevocable. You will have no further opportunity to change your retirement plan.

### Section 1: Eligibility to Select Your Retirement Plan

Place a check mark in the box that applies to you.

- ☐ On 3/30/97, I was a non-vested, former member of the DB plan. **Complete Section 2.**
- ☐ On 3/30/97, I was a deferred member of the DB plan. **Complete Section 2.**
- ☐ On 3/30/97, I was a state employee and selected my retirement plan during the enrollment period. **Do not file this form.** HR will enroll you in the plan you selected then.
- ☐ On 3/30/97, I was a state employee but was not given an opportunity to select my retirement plan. **Complete Section 2.**
- ☐ I retired from state service. **Do not file this form.** HR will enroll you in the DC plan.
- ☐ On 3/30/97, I was a deferred (vested) member of the Public School Employees Retirement System and was not working. **Complete Section 2.**

### Section 2: Retirement Plan Selection (Check only one.)

- ☐ I choose to be enrolled in the Defined Benefit retirement plan.
- ☐ I choose to be enrolled in the 401(k) Defined Contribution plan. Please transfer any DB value (APV) that I have earned into my new DC account.

*I certify that I have read this entire form and understand that this selection is irrevocable. I understand that there will be no further opportunity to change my retirement plan and that if I leave state employment and return at a later date, I will remain in the retirement plan I select on this form.*

Member's Name (please print)		Employee ID Number
Street Address	Home Phone (     )	Work Phone (     )
City, State, ZIP	Department	Date of Hire/Rehire
Member's Signature	Date	Spouse's Signature (Required; write NONE if single)     Date

**File this form with your human resource office within 60 calendar days of your rehire date.**

**HR offices: Please forward a copy to ORS**